

# PRESS RELEASE

✉ Communications Department, 30, Janadhipathi Mawatha, Colombo 01, Sri Lanka  
☎ +94 11 2477424 / +94 11 2477669 📠 +94 11 2346304  
@ communications@cbsl.lk / dcommunications@cbsl.lk 🌐 www.cbsl.gov.lk



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இலங்கை மத்திய வங்கி  
CENTRAL BANK OF SRI LANKA

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## World Bank Approves \$150 Million to Strengthen Sri Lanka's Financial Sector Safety Net

The World Bank Executive Board approved US\$ 150 Million under the Sri Lanka Financial Sector Safety Net Strengthening Project to strengthen the financial and institutional capacity of Sri Lanka's financial sector safety net, with the focus on the Sri Lanka Deposit Insurance Scheme. The World Bank issued the following press release on 09 November 2023.

WASHINGTON, November 9, 2023—The World Bank's Board of Executive Directors today approved \$150 million in financing for Sri Lanka to strengthen the resilience of the financial sector.

"Sri Lanka's economic crisis highlights the need for strong safety nets to support the financial sector. Stable and reliable banking sector is essential for the economy, businesses and individuals, small businesses and poor households," said Faris Hadad-Zervos, World Bank Country Director for Maldives, Nepal, and Sri Lanka. "Strengthening the Deposit Insurance Scheme will help protect the savings of smaller depositors, including women and people living in rural areas. It will also sustain the confidence in Sri Lanka's financial system, a critical part of building the country back better."

The Financial Sector Safety Net Project is designed to boost the financial and institutional capacity of the Sri Lanka Deposit Insurance Scheme (SLDIS), which is managed by the Central Bank of Sri Lanka. The financing will help boost reserves of SLDIS which could be used towards the payout to insured depositors of banks and licensed finance companies. In parallel, the project will support institutional strengthening of the SLDIS in line with international good practices for effective deposit insurance schemes.

"Strengthening the financial sector safety net is crucial for maintaining financial stability during a macro-debt crisis," said Alexander Pankov, Lead Financial Sector Specialist and the Task Team Leader for the project. "A robust deposit insurance system, along with enhanced supervision and resolution frameworks, will safeguard public confidence in the financial system and protect people's savings."

The SLDIS was established in 2010 and has conducted several payouts for failed licensed finance companies in recent years. Currently, the SLDIS guarantees the deposits of households and enterprises up to LKR 1,100,000, which covers more than 90 percent of deposit accounts in Sri Lanka. The legal framework for deposit insurance in Sri Lanka was upgraded earlier this year through the approval by Parliament of Banking Special Provisions Act. SLDIS should now be strengthened institutionally and financially for it to be able to effectively fulfill its legal mandate of protecting the financial sector stability.

<https://www.worldbank.org/en/news/press-release/2023/11/09/sri-lanka-world-bank-approves-150-million-to-strengthen-financial-sector>.